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SUBJECT: Guangdong Discusses Anti-Corruption Efforts with Visiting  
USG Delegation

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accordingly.

11. (SBU) SUMMARY: The Guangdong government is targeting its  
anti-corruption efforts in the areas of land transaction and  
commercial development, according to Guangdong officials who met  
with a U.S. delegation from the bilateral Anti-Corruption Working  
Group. China's largest construction bidding center, located in  
Guangzhou, has strict security procedures in place to insure that  
bid evaluators are not unduly influenced. American lawyers in  
Guangzhou commented that corruption is still pervasive in the  
Chinese government owing in part to low salaries. END SUMMARY

12. (U) During a June 11-12 visit to Guangzhou, U.S. representatives  
to the bilateral Anti-Corruption Working Group met with officials  
from the Guangdong Department of Supervision and the Guangdong  
Procuratorate. The group visited a construction bidding center, a  
real estate registration center, and a business registration center.

The group also met with AmCham members to discuss corruption in  
China. The delegation consisted of David Luna, Director of  
Anticorruption and Governance Initiatives, INL; Cher Iannaccone,  
Financial Investigations Division, ICE, Department of Homeland  
Security; Taryn Nelson, Financial Crimes, TFFC, Department of the  
Treasury; and Joseph Gangloff, Deputy Director, Office of Government  
Ethics.

#### Provincial Anti-Corruption Efforts

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13. (U) Qin Tonghai, Deputy Director General of the Guangdong  
Department of Supervision (DOS), said 20,000 officials in Guangdong  
work either directly or indirectly for his office. Guangdong DOS  
has conducted special campaigns to better regulate land compensation  
for farmers, commercial development, and government procurement.  
Qin said that by the end of 2007, Guangdong will have an electronic  
monitoring system in place whereby DOS can track and evaluate the  
work of government offices in the province's 21 cities in real time.

Lai Xiangdong, Deputy Director General of the Guangdong  
Procuratorate's Anti-Corruption Bureau, said his office handled  
1,398 corruption cases in 2006: 50 percent involved bribery, 30  
percent involved misuse of public money, 10 percent involved  
embezzlement of public funds, and the remaining 10 percent were of  
varying types. He noted that approximately 80 percent of the  
Procuratorate's corruption cases end with punitive actions (usually  
prison).

14. (SBU) Kong Xiangren, Deputy Director General of the Ministry of  
Supervision's Foreign Affairs Department, said China - unlike the  
U.S. - does not require officials to submit financial disclosure

reports. DOS and Procuratorate officials use tax records and other financial statements in their investigations, and require that suspects produce evidence to counter accusations of corruption. Kong said China is currently drafting financial disclosure regulations that will mirror those used in the United States.

15. (SBU) In an informal bilateral dialogue, Qin and Kong also discussed ways for the PRC to intensify cooperation through possible joint workshops (e.g., through the APEC Anticorruption Initiative) and technical exchanges with the U.S. Office of Government Ethics, MOS, and the newly created state-level corruption agency (announced earlier this year by the CPC). Qin also stated that the innovative preventive measures and IT systems that are being developed in Guangdong to prevent and detect corruption may become a model for the rest of China.

#### Visits to Bidding and Registration Centers

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16. (SBU) The U.S. delegation visited a construction bidding center in Guangzhou that handles road, subway, building, electricity, and water projects. The center is the largest in China in terms of transaction volume, and handles half of all bids in Guangdong, according to the director of the center. To maintain the integrity of the bidding process, computers randomly select evaluators from a pool of 4,800 experts (who have outside employment). If the evaluator is unable to take the job, the computer will select the next name on the list. The experts are not allowed to contact anyone while they are reviewing bids; cell phones are confiscated and cameras monitor the rooms. If the evaluation takes more than one day the evaluators must sleep in beds located at the center. The evaluators are paid RMB 500 (USD 65) per day for their service. Lin said the center is also developing a review mechanism to check

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prior bids for improprieties.

17. (SBU) The group also toured a new municipal real-estate registration center located in Guangzhou. The center provides services related to land transactions, property registration, and auctioning. Computer modules set up in the center give the public access to a real estate database. The center's director said software advances have dramatically increased efficiency. At a separate visit to a business registration center under the Guangzhou Administration of Industry and Commerce (AIC), the director said applicants can monitor the status of their cases on the internet. In response to a question, the director noted that the center's database does not link to other registration centers in China nor with law enforcement authorities. (Note: Guangzhou AIC's business registration centers were a target of a television news program investigation earlier this year that showed officials were charging for unnecessary services.)

#### American Lawyers Discuss Corruption in China

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18. (SBU) During a meeting at the offices of AmCham-South China, David Buxbaum, an Amcit who has lived in Guangzhou on and off since 1972 and currently works for an international law firm, said corruption in China is "endemic." To reduce corruption, he said, China needs to increase the wages of civil servants (particularly judges) and professionalize the bureaucracy. He said bureaucrats have too much discretion in their jobs, particularly those in the AIC. Ultimately, the introduction of free elections beyond the village level would have a dramatic effect on corruption levels, he added. Fred Hong, an Amcit who helped found the AmCham in Guangzhou and runs his own law firm here, said he is currently handling a business dispute case in which the judge has indirectly requested a bribe. He said China is genuinely interested in fighting corruption and learning from the U.S. model, and advised U.S. officials take adopt a "face-saving" approach to discussions with Chinese officials.

19. (U) This cable has been cleared by INL's David Luna.

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